

14 July 1986

MEXICO TALKING POINTS FOR HPSCI BRIEFING

Mexican Elections--Results and Implications

Mexico's ruling Institutional Revolutionary Party (PRI) claimed victory in most contests following the elections held Sunday, 6 July.

--The PRI quickly announced victory in the four gubernatorial elections, including two in states--Chihuahua and Durango--considered strongholds of the opposition National Action Party (PAN).

PRI actions in Chihuahua, viewed by all sides as the most important contest, suggest the ruling party has continued the 1985 policy of "rolling-back" opposition victories in this year's elections. Official results are still incomplete, but the PRI has been declared the winner in 23 of 25 municipalities, including the largest city and capital, formerly held by the PAN.

--On Sunday, the PRI published ads claiming to have retained the governorship of this state while sweeping 66 of 67 towns and all 14 representative seats.

--Previously, the PAN held the 7 largest towns controlling 70 percent of the population in Chihuahua.

--The PAN also made its strongest showing in this state during the midterm congressional elections last July.

*Following 6 July
elections PRI claimed
victory in four
state elections*

25X1

25X1

Page Denied

25X1

Recent Developments on the Financial Situation

Mexico and the IMF still have not reached agreement on a new program. [redacted] the current deadlock in negotiations is over the size of the government budget deficit.

--Late last week, a Mexican negotiating team was dispatched to Washington to resolve the issue. [redacted]

--Complicating negotiations is the likelihood that Mexico's 1986 budget deficit already is well above the level considered desirable by the Fund.

Mexico City late last month announced its intent to stimulate economic growth in 1987 and 1988, further complicating negotiations with the IMF and international bankers.

--The government plan calls for economic growth rates of 3 to 4 percent annually over the next two years. [redacted] increases in public sector investment and imports are expected to be the main catalysts for renewing economic activity.

--Even with new foreign loans, private US economic forcecasts indicate that Mexico would also have to return to a highly expansionary monetary policy to finance budget overruns to achieve its objective, driving inflation to an annual rate of 200 percent by 1988.

--Mexico's Budget and Planning Ministry, responsible for drawing up the plan, has estimated that the government will need about \$20 billion in new foreign loans through 1988.

--Mexican officials expect to request international bankers to provide about \$12 billion of the total.

No agreement yet w/IMF - deadlock over size of gov. budget deficit

25X1
25X1

25X1

25X1